

SESSION 1920.

*Great Britain--House of Commons--Select Committee
on national expenditure*

THIRD REPORT

FROM THE

SELECT COMMITTEE

ON

NATIONAL EXPENDITURE.

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THIRD REPORT.

THE SELECT COMMITTEE on NATIONAL EXPENDITURE have made further progress in the matters to them referred and have agreed to the following THIRD REPORT—

MINISTRY OF MUNITIONS.

FIRST INTERIM REPORT.

1. The Sub-Committee enquiring into the Ministry of Munitions has met 12 times and has examined 24 witnesses.

2. They were informed by Sir Graham Greene, K.C.B. (Secretary to the Ministry of Munitions), that the Cabinet, on 23rd March 1920, had decided that the Ministry was to cease to operate as a purchasing Department. They were informed that, as yet, no steps had been taken to make good that decision, and purchases of stores for other Government Departments amounting roughly to £22,000,000 appear in this year's Estimates.

3. Although the Staff of this Department has been considerably reduced since the date of the Armistice, it still numbers 49,950 (including Headquarters' Staff, Ex-Headquarters' Staff and Industrial Staff, which latter includes all *employés*).

The fact that such a large number of men are still employed is due, they were informed, to the necessity for finding work for a large number of men at Woolwich, this being done under the direction of the Cabinet.

4. The actual number of men now employed at Woolwich is 15,000, although the number employed there before the war was 10,000, and though the Committee under Mr. McKinnon Wood, appointed to enquire into the conditions prevailing at the Ordnance Factories, came to the conclusion that a staff of 10,000 would be sufficient.

5. The Sub-Committee also examined Mr. Daniel Neylan, Finance Member of the Disposal Board. He informed them that the total amount realised since the Armistice by the Disposal Board amounted to £469,136,866, but was unable to give any account as to the cost of the articles or material that had been sold.

SLOUGH.

6. Sir Graham Greene was asked to put in a return of the actual cost of motor vehicles of all descriptions and spare parts which were included in the sale of the Slough Depot. This, however, he was unable to do, but a return was put in showing that the actual cost of the Depot itself, apart from any lorries or other material that was stored there, was not less than £2,500,000.

7. Mr. Neylan informed them that it was impossible to give the original cost of the mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage material, etc., which were included in the sale of Slough other than the Depot itself, which, as we have already stated, was not less than £2,500,000.

8. Mr. Neylan handed in a copy of the contract for the sale of the Slough Depot and its contents, which forms an appendix to this Report.

9. Slough and its contents has been sold to Sir Percival Perry on behalf of a new Company called the Slough Trading Company Limited.

10. The witness stated that the transaction of £7,000,000 divided itself into two parts, viz., £3,350,000 for the site and buildings and £3,650,000 made up as to £3,000,000 in respect of the mechanical transport vehicles, and as to £650,000 in respect of spare parts, supplies, plant, machinery, salvage material relating to mechanical transport and otherwise already there, and certain other vehicles to which allusion will be made later.

11. The witness was asked whether, in view of the fact that the cost of the mechanical transport vehicles, spare parts, etc., was unknown, it would be possible to sell the land and buildings for the price stated to be given for it, £3,350,000, and to postpone the sale of the vehicles, spare parts, etc., until their value had been ascertained, but he replied that that would be impossible, as the two purchases were complementary and the purchasers would not take the one without the other. This shows that, as a matter of fact, the purchase was a single purchase, and not a double purchase as has been stated.

12. The agreement not only included the mechanical transport vehicles, spare parts, supplies, plant, machinery, salvage material, which were at the time of the conclusion of the purchase at Slough, but all mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage material relating to mechanical transport and otherwise now situate in various parts of the United Kingdom and the Continent of Europe excepting as follows:—

(a) Abbeville Park.

(b) Mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage materials, and otherwise situate in Italy and Salonica, on the Continent of Europe, and Egypt on the Continent of Africa, Mesopotamia, on the Continent of Asia, and all other places outside of the Continent of Europe.

13. The paragraph exempting Abbeville Park requires further notice. It states that "the Ministry having invited tenders for the purchase of the whole of the contents of this Park, the Purchaser agrees to be bound by the decision of the Minister of Munitions in respect of the sale thereof provided that the Purchaser shall have the right to request the Minister to refuse any tender upon the understanding that the Purchaser accepts delivery of the vehicles contained in said Park *in situ*. In the event of the Purchaser exercising this right the Ministry will render the same facilities for the guardianship and removal of the said property as have been offered to potential purchasers under the conditions of the said tender". This would appear to include the property at Abbeville Park in the sale without any further payment except as provided in paragraph 18 of this Report, provided that Sir Percival Perry accepts it *in situ*.

14. Tenders for the purchase of Abbeville Park have been received by the Government, and one for £450,000 sent in by M. Antoine has been accepted. The amount received from the sale has been given to the purchasers of Slough.

15. The sale of the Slough dépôt also included the whole of the mechanical transport vehicles, spare parts, supplies, plant, machinery, salvage material relating to mechanical transport and otherwise wherever situate, which at any time in two years from the date of the Agreement would, in accordance with the procedure as at present practised, become the property of the Ministry or of the Disposal Board.

16. The contract also contains a stipulation that the new company shall, if required, repair all vehicles, being the property of the Ministry or any other Government Department, for a sum equal to the ascertained net cost of such repairs, plus 10 per cent.

17. "The Ministry also agree to provide, as far as possible, barges and other vessels for transportation to Richborough of all vehicles acquired by the Purchaser under this Agreement, provided same are brought by him to loading berths on Continental seaboard as generally used by Richborough craft". This last condition appears to conflict with a previous undertaking in the contract to the following effect:—

"The Ministry will deliver to the Purchaser at the Slough Motor Depot aforesaid all mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage material and otherwise, now situate in various parts of the United Kingdom and the Continent of Europe".

18. There are further conditions which provide that Sir Percival Perry "shall pay to the Ministry as an additional purchase price for the mechanical transport vehicles hereby sold for the said sum of £3,000,000 (three million pounds) sterling extra payment as under:—(a) In respect of gross realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum of £5,000,000 (five million pounds) sterling 25 per cent. (twenty-five per cent.); (b) in respect of realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum of £6,000,000 (six million pounds) sterling 40 per cent. (forty per cent.); (c) in respect of realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum of £7,000,000 (seven million pounds) sterling 50 per cent. (fifty per cent.)

19. "If it be found at the expiration of two years from date hereof that the said mechanical transport vehicles hereby sold by the Ministry to the Purchaser for the sum of £3,000,000 (three million pounds) have not been or cannot be realised for the sum of £5,000,000 (five million pounds) sterling, then the said purchase price of £3,000,000 (three million pounds) shall be reduced by a sum equivalent of 25 per cent. (twenty-five per cent.) of the amount of the deficiency below the said sum of £5,000,000 (five million pounds) sterling".

20. The witness was also asked what means were taken to ascertain that the price given by Sir Percival Perry was as good or better than the price offered by any other purchaser, and replied "it was not a case in our opinion where we could advertise or ask for competitive tenders".

ST. OMER.

21. The Sub-Committee also investigated the sale of the dump at St. Omer. This consisted of a large number of motor lorries, motor cycles and other vehicles, spare parts, etc., the most valuable portion being a large number of Leyland Motor Lorries.

22. At the end of November 1919 an offer was made to the Ministry by Major-General S. S. Long, a managing director of Lever Bros., to purchase this dump, and arrangements were made that General Long and Mr. Tyrell, representing Lever Bros., should go over to France, which they did on the 26th November 1919. On the 2nd December these gentlemen interviewed at Boulogne General Young, who was in charge of the Disposal Board dumps in France, and a discussion took place as regards the value of the property.

23. At the instance of General Young, it was decided that the further negotiations should be carried on in London, and accordingly there was a further meeting at the Ministry of Munitions, at which Sir Philip Dawson presided on the 9th December.

24. At this meeting General Long stated that he was informed that the Ministry could not in any circumstances give him assistance in shipping, to which he attached great importance, considering that it would be very difficult in the circumstances that then existed, the Government having control over shipping, for any private individual or private company to make satisfactory arrangements with ship owners, and he subsequently informed the Sub-Committee that in his opinion the shipping freight alone would work out at £75 a lorry under conditions then existing.

25. Eventually on the 13th December General Long offered on behalf of Messrs. Lever Bros. £450,000 for the dump. To that letter a reply was received by them by telegram, sent from the Ministry, stating that they would be prepared to accept £400,000 cash, provided unsold.

26. There was an error in this telegram, which should have read £500,000 cash, and not £400,000. This was corrected next day.

27. It does not appear that General Long had at any time made any objection to paying in cash should he acquire the property. He, however, refused to give £500,000 for it.

28. The offer of General Long was made on a list of vehicles supplied to him in France by the officer in charge of the dump, and this list was checked by Mr. Horniman, who was acting with General Long on behalf of Lever Bros., with General Young at the meeting which took place on the 9th December and at which Sir Philip Dawson presided.

29. The number of heavy Leyland motor lorries in this list was 687, and the total number of Leyland motor vehicles 963. Sir Philip Dawson stated that it was impossible to obtain the exact number of lorries or other vehicles which were in the dump, as the lorries were continually being taken in and out.

30. Captain Hitchens, the Adjutant in charge of the dump, however, informed the Sub-Committee that he had made exact lists of the lorries and other vehicles in the dump, and that notes were made of every vehicle that left the dump and of every vehicle that came into it.

31. Sir Philip Dawson was asked as to the foregoing, and the following is an extract from his evidence "If I had had Captain Hitchens at the other end of a wire and I could have got hold of him every day, and ascertained directly what the position was, it might have been easy; but I should like the Committee to recollect, although what Captains Hitchens says is perfectly true, and I do not question it for a moment, Captain Hitchens is in the R.A.F., and in order for me to be able to get information from Captain Hitchens, who is the man responsible, I had to go through France, France has to go through another War Office department in France, that has to go to the R.A.F., and that comes back, and finally I get the answer; that is the only way I can get the information. Therefore, while that is perfectly correct, I do not see how that in any way alters the statement that I made to the Committee." Asked: "Would it not have been better if, when the Disposal Board was set up, arrangements had been made that they should be able to communicate directly with the officials in charge of the articles and at the places at which the Disposal Board had to deal with them?" He replied: "It would make my life infinitely easier and I could have carried out my work with greater dispatch; there is no question about that, but I think the Committee have sufficient knowledge of the different Government Departments to know how easy such arrangement would have been! Besides, it was not on me to carry that out: it was for me to carry out the instructions that I had when the Disposal Board was formed. That seems very easy, but I think you have sufficient knowledge to appreciate what it would have meant if we had had to get the R.A.F., the War Office, and the Admiralty and a few others to agree that we should communicate directly with one of their officials on the spot to get information from him."

32. Sir Philip Dawson also informed the Sub-Committee that when the list was checked by Mr. Horniman and General Young he declared that he could accept no responsibility for its correctness. Asked whether General Young was his superior officer, he replied that if the sale took place in France General Young would be the superior officer, but that if it took place in England he himself would be the superior officer. Such a condition of things does not appear to us to be likely to make a satisfactory sale.

33. Mr. Horniman denies that Sir Philip Dawson stated at that interview that he could not accept responsibility for the correctness of the list.

34. After Messrs. Lever Bros. had broken off negotiations, Sir Philip Dawson sent for Colonel Spurrier, an official of the Ministry who acted as salesmen for motor vehicles.

35. Colonel Spurrier had been a director of the Leyland Motor Company, but on the declaration of war he severed his connection with the company and joined the Army, afterwards becoming an official of the Disposal Board. His two brothers remained directors of the Leyland Motor Company, and are directors of that company now.

36. Sir Philip Dawson asked Colonel Spurrier whether he could obtain a better offer than the £450,000 offered by Lever Bros. Colonel Spurrier valued the dump at £550,000.

37. Sir Philip Dawson instructed him to see if he could obtain an offer of £500,000 for it from the Leyland Motor Company. Thereupon Colonel Spurrier telephoned to the Leyland Motor Company that the St. Omer dump could be bought for £500,000, informing them that the number of Leyland motor lorries at that dump was 963. He obtained this figure from the list given him by Sir Philip Dawson, which was a copy of the list given to Messrs. Lever Bros. He did not, however, classify the different Leyland vehicles, but gave the total number of all Leyland vehicles.

38. The Leyland Motor Company said that they must consider the offer, and in a day or two they agreed, without going to France and without seeing the dump, to purchase it on the information given by Colonel Spurrier for £500,000.

39. Captain Hitchens informed the Sub-Committee that, acting on orders, he made a second list, which he sent in on the 8th January. In this list, the sale having taken place on the 6th, the number of heavy Leyland motor lorries was given as 963 and the total number of all Leyland vehicles as 1,231. This was an excess of 287 heavy lorries over the number which Lever Bros. thought they were going to get, and the value of the difference, from the evidence before the Sub-Committee, would be about £114,000. Against this figure must be placed the value of certain vehicles which had been removed, so that the net increased value of the dump would be about £95,000.

40. Captain Hitchens informed the Sub-Committee that during the fortnight preceding the 10th of January when the Leyland Motor Company took possession there were quite a number of motor vehicles, chiefly lorries, added to the dump.

41. The contract for the sale was handed in to the Sub-Committee and is appended as an appendix to this Report. Sir Philip Dawson stated that a similar contract would have been given to Messrs. Lever Bros. if they had purchased the dump.

42. It is clear that Messrs. Lever Bros. thought that they were only to get a total of 963 Leyland motor vehicles, of which 687 were heavy lorries, whereas the Leyland Motor Company, as a matter of fact, got 1,231 Leyland vehicles, of which 974 were heavy Leyland lorries. Captain Hitchens' evidence was that a large portion, if not the whole, of this increase was added to the dump in the fortnight preceding the 10th of January, 1920.

43. Colonel Spurrier, as already stated, valued the dump at £550,000, and further said that, if he had been negotiating, he would have played Lever Bros. and Leyland's one against the other, and perhaps got a third party in and played each against the other, as he was a business man. Asked why he did not do so, he replied that on this occasion he was not negotiating the sale, but was merely carrying out the orders of Sir Philip Dawson in offering it to the Leyland Motor Company for £500,000.

44. One of the difficulties present to the mind of Messrs. Lever Bros. was that of shipping facilities. General Long put in the cost of freight, as we have already stated, at £75 a motor lorry.

45. It appears that at the beginning of April the Leyland Motor Company approached Sir Philip Dawson and stated that they were landed in an impossible position, that no vehicles were being brought over, and that they could get no shipping of any kind, and that empty Government barges were coming across. On this Sir Philip Dawson approached the Ministry of Shipping and asked them to provide facilities for bringing over motor lorries for the Leyland Motor Company.

46. The Disposal Board (Shipping Section) agreed to this, and the Ministry of Shipping advised that a charge of £30 per motor should be made. Lord Inverforth, Minister of Munitions, however, reduced that charge to £15 a lorry, and at this charge—up to the 16th of June—683 motor lorries had been brought over.

47. It is, therefore, undoubted that very important facilities for bringing these lorries over to England were subsequently given to the Leyland Motor Company, which had been previously refused both to Messrs. Lever Brothers and to the Leyland Motor Company.

48. Sir Philip Dawson informed the Sub-Committee that the same facilities would have been given to Messrs. Lever Brothers if they had bought the dump, but it does not appear to the Sub-Committee that there is any ground for supposing that Lever Brothers could have imagined that facilities which were refused to them in December would eventually be granted.

49. Lord Inverforth was asked how it was he reduced the price from £30, recommended by the Ministry of Shipping, to the £15 actually charged. He informed the Sub-Committee that the barges were going over to France laden with coal and coming back empty and that it paid the Ministry to bring back lorries at £15 apiece and that when £30 was asked no lorries were shipped.

50. In answer to a question, Lord Inverforth appeared to be unaware that the Leyland Motor Company were in difficulties as to bringing over their lorries. The Director of Stores Transport, Ministry of Munitions, has, however, informed the Sub-Committee by letter that he was aware of the difficulty experienced by the Leyland Motor Company in obtaining commercial shipping, that they were asked to pay £30 per vehicle and on their refusal the charge was reduced to £15.

51. The Sub-Committee also saw Captain Pulleine, Controller of the Mechanical Transport in France, and a member of the Disposal Board in France.

52. He stated that there was no difficulty in obtaining a list of the vehicles and other materials at the St. Omer dump and in reply to various questions from the Sub-Committee he put the value of the dump as sold to the Leyland Motor Company at about £700,000. He further emphasised the difficulties of moving the dump from France to England, and stated that he himself personally would not have given more than £300,000 for the stuff in France if he had to ship it all to England, but that he considered that if it had been in England it would have been worth from £800,000 to £1,000,000.

53. This emphasises the value of the shipping facilities given to the Leyland Motor Company.

54. Sir Philip Dawson also stated that there had been an arrangement going on for a long time with Leylands, whereby they took back all their vehicles at a round figure of about £500 a vehicle, landed in England and that it had been a policy of the Ministry to try and help the British manufacturers, as far as possible, and not put up competition with their own vehicles. This appears to have been the custom with other manufacturers and was not confined to Leylands. Whether the public gains by this arrangement is doubtful.

CONCLUSIONS.

55. Your Committee are of opinion that the Clauses in the Slough contract which provide that all articles which may be declared surplus within the next two years are included in the sale, without any extra price beyond what is mentioned in paragraph 18 of this report, being paid for them by the purchaser, are contrary to the interests of the tax-payer, inasmuch as the greater number of articles declared surplus, the greater will be the share of the profit to the purchaser.

56. Your Committee are also of opinion that some effort should have been made to ascertain the value of the articles included in the Slough Sale, and that that sale should not have included articles in various parts of the world, the value of which is unknown.

57. With regard to the sale of the St. Omer dump, they are of opinion that due care in negotiating this contract was not exercised and that not only were a larger number of vehicles of very considerable value included in the sale to the Leyland Motor Company than were offered to Messrs. Lever Brothers, but that shipping facilities were given to the Leyland Motor Company which had originally been refused them, and which Messrs. Lever Brothers had no reason to suppose would have been granted to them.

They consider that the method of selling an indeterminate number of vehicles for a fixed sum was not likely to secure the highest possible price. A better method would have been for the price to depend on the actual number of vehicles handed over, assessed on an average value per vehicle.

58. The Committee are of opinion that the practice of selling goods, as far as possible, to the makers tended to prevent other purchasers coming forward.

59. They consider that the decision of the Cabinet that the Ministry of Munitions should cease to act as a Purchasing Department should be given effect to at once.

APPENDIX I.

CONTRACT FOR SALE OF SLOUGH.

HANDED in by Mr. D. NEYLAN during his examination before the Committee on
Wednesday, 5th May, 1920.

D.B. 6/161.

Sir,

9th April, 1920.

With reference to the interview regarding the sale of the Slough Depot and surplus Mechanical Transport, which took place yesterday between Sir George Barstow and Sir Alexander Lawrence, representing the Treasury, and Sir Howard Frank and Mr. Neylan of the Disposal Board, Ministry of Munitions, I am directed by the Minister to transmit for the information of the Lords Commissioners of His Majesty's Treasury the following :—

- (1) Copy of a letter from Sir Percival Perry to the Minister dated 7th instant.
- (2) Copy of the heads of Agreement transmitted with the above letter, and signed as amended by Lord Inverforth and Sir Percival Perry.
- (3) Copy of a letter addressed by Lord Inverforth to Sir Percival Perry of to-day's date, with formal acceptance by the latter.

I am to add that copies of these documents have been sent direct to the Treasury Solicitor's Department for the information of Sir Alexander Lawrence.

I am &c.

The Secretary to the Treasury.

(Signed) *W. Graham Greene.*

Sir,

9th April, 1920.

I have to thank you for your letter of the 7th inst. and the Memorandum embodying the Heads of the 'Agreement.

Subject to the following observations I am prepared to accept your offer in the spirit in which it is made

The Heads of Agreements are, as you say, prepared without legal advice and are probably not in a form which would precisely express the full intentions of the parties.

As however you are anxious to go into possession at once, I am willing to adopt the Heads of Agreement in their present form subject to the following remarks and on the basis that if we fail to agree the terms of the legal Agreement mentioned in the last paragraph of the Heads it shall be referred to an Arbitrator not only to interpret the Heads but also to insert any further provisions and modifications that he may consider reasonable under the circumstances.

I do not suppose that we are likely to disagree about the form of the Agreement, but I think some such provision is necessary if we are to act on such an informal document.

In order to make one or two points arising on the Memorandum quite clear I am setting out below my views with regard to the several paragraphs.

- (1) Interest at 6 per cent. on all the purchase money except the deposit of £100,000 should begin to run from 3 months after the signing of the Heads of the Agreement.

The sale does not include the Building Constructional Plant now on the premises.

As you are already aware, the land is in Government occupation but has not yet been acquired from the owners. The Ministry will endeavour to acquire the land by Agreement and if necessary will use the powers conferred on it by the Acquisition of Land Act 1916.

It will be understood that the £400,000 becomes payable upon completion of the conveyance of the property, or within three months of the signing of the Heads of Agreement whichever may be the earlier. The bill for £500,000 will be for three months from the above date.

- (2) The usual rescission clause should be inserted providing forfeiture of deposit in case of any default by the purchaser or his failure to provide guarantees in accordance with paragraph (11).

(5) The date at which this clause takes effect shall not be 2 years hence, but the time when the resale is completed.

(9) The Ministry's obligation to deliver at Slough relates only to property in the United Kingdom, the Occupied Area of Germany, and in France with the exception of Abbeville.

(10) This paragraph refers only to the vehicles at Abbeville and will only be affective so long as the Richborough Ferry remains under Government control.

(10) and (14) These facilities will be provided at the purchaser's expense.

(12) This paragraph does not involve the erection of any buildings for which contracts have not already been placed, or the closing of any public roads except that the Ministry will carry to completion any work in connection with Buildings, Fences and Roads for which contracts have been made or sanction to carry out given.

(13) No property, the disposal of which has been arranged before 7th April, 1920, will be included in the sale.

Throughout the Heads of Agreements the general words relating to Spare parts, tyres, supplies, plant, Machinery salvage materials and otherwise, relate only to Mechanical Transport.

I am, &c.

Sir Percival Perry, K.B.E.

I accept and confirm.

(Signed) Percival Perry.

(Signed) Inverforth.

Certified True Copy.

(Signed) S. G. Allen.

HEADS OF AGREEMENT between the MINISTRY OF MUNITIONS hereinafter called the Ministry of the first part and PERCIVAL LEA DEWHURST PERRY, K.B.E. of Ewell in the county of Surrey hereinafter called the Purchaser in the second part:—

1. The Ministry will sell and the Purchaser will purchase the whole of the freehold land buildings, fixed plant machinery loose tools and equipment known as the Slough Motor Repair Depot, which shall be delivered by the Ministry to the Purchaser freehold and free from all encumbrances and with clear title, in consideration of the payment of the sum of £3,350,000 (three million three hundred and fifty thousand pounds) sterling payable as to £100,000 (one hundred thousand pounds) upon signing hereof; £400,000 (four hundred thousand pounds) upon completion of the conveyance of the property by the Ministry to the Purchaser; £500,000 (five hundred thousand pounds) by acceptance dated three months from the date of the said conveyance and as to the balance £2,350,000 (two million three hundred and fifty thousand pounds) by five equal annual instalments of which the first shall be payable upon the 31st December, 1921, and the remainder upon the 31st December in each succeeding year together with simple interest at the rate of 6 per cent. per annum calculated upon the unpaid balance of the said purchase price. The said sum of £2,350,000 (two million three hundred and fifty thousand pounds) shall be secured to the Ministry by the creation of a first mortgage upon the said property bearing interest as aforesaid.

2. Possession of the said property shall be granted by the Ministry to the Purchaser upon the signing hereof and the payment of the said sum of £100,000 (one hundred thousand pounds).

3. The Ministry will sell and the Purchaser will purchase the whole of the Mechanical Transport vehicles spare parts supplies, plant, machinery, salvage material, relating to mechanical transport and otherwise at this date the property of the Ministry or of the Disposal Board wherever situate together with all other such property which at any time during two years from the date hereof would be in accordance with procedure as at present practised become the property of the Ministry or of the Disposal Board, in consideration of payment by the purchaser to the Ministry of the sum of £3,650,000 (three million six hundred and fifty thousand pounds) sterling. For the purposes of this Agreement this sum is considered to be made up as to £3,000,000 (three million pounds) payment in respect of the purchase of mechanical transport vehicles *i.e.* automobile lorries workshops, etc. all other automobiles and motor cycles; and in respect of the sum of £650,000 (six hundred and fifty thousand pounds) in payment for spare parts, tyres, supplies, plant, machinery, salvage material and otherwise other than motor vehicles. The said sum of £3,650,000 (three million six hundred and fifty thousand pounds) shall be paid as to £175,000 (one hundred and seventy five thousand pounds) upon the signing hereof and as to the balance in twelve equal monthly instalments of £289,583 6s. 8d. (two hundred and eighty nine thousand five hundred and eighty three pounds six shillings and eight pence) always provided that notwithstanding the said monthly payments the Purchaser shall pay to the Ministry a sum equal to one moiety of the gross amount received by the Purchaser in cash in respect of the sale of the said mechanical transport vehicles (but not including the said spare parts, tyres, supplies, machinery, plant, salvage material, and otherwise). If it be found that payment of the said moiety exceeds the said sum of £289,583 6s. 8d. (two hundred and eighty nine thousand five hundred and eighty three pounds six shillings and eight pence) per month then the payments made in respect of the said moiety may be averaged over the total period so as to comply with the stipulated monthly payments.

4. The Purchaser shall pay to the Ministry as an additional purchase price for the mechanical transport vehicles hereby sold for the said sum of £3,000,000 (three million pounds) sterling extra payment as under: (a) In respect of gross realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum of £5,000,000 (five million pounds) sterling 25 per cent. (twenty-five per cent.); (b) in respect of realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum of £6,000,000 (six million pounds) sterling 40 per cent.

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(forty per cent.); (c) in respect of realisations by sale of the said mechanical transport vehicles of all sums exceeding the sum £7,000,000 (seven million pounds) sterling 50 per cent. (fifty per cent.).

5. If it be found at the expiration of two years from date hereof that the said mechanical transport vehicles hereby sold by the Ministry to the Purchaser for the sum of £3,000,000 (three million pounds) have not been nor cannot be realised for the sum of £5,000,000 (five million pounds) sterling then the said purchase price of £3,000,000 (three million pounds) shall be reduced by a sum equivalent to 25 per cent. (twenty-five per cent.) of the amount of the deficiency below the said sum of £5,000,000 (five million pounds) sterling.

6. The Purchaser will render to the Ministry a monthly statement showing the amount of cash received for realisations by sale of mechanical transport vehicles hereinbefore mentioned and the said moiety thereof shall be payable and paid by the Purchaser to the Ministry within thirty days after the expiration of the calendar month in respect of which such statement is rendered.

7. When the said purchase price of £3,000,000 (three million pounds) has been paid by the Purchaser to the Ministry, payment of the additional purchase price hereinbefore mentioned shall be made by rendering accounts and upon the dates as provided in respect of the payment of the said moiety.

8. The Purchaser undertakes to repair, on behalf of the Ministry or any other duly authorised Government Department, any and all motor vehicles being the property of the Ministry or any other said Government Department, as may be required and in respect of such repairs shall be paid by the Ministry, or any other said Government Department, a sum equal to the ascertained net cost of such repairs (including all overhead expenses and established charges), plus 10 % (ten per cent.).

9. The Ministry will deliver to the Purchaser at the Slough Motor Depot aforesaid all mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage material and otherwise now situate in various parts of the United Kingdom and the Continent of Europe, excepting as follows:—

(a) Abbeville Park.—The Ministry having invited tenders for the purchase of the whole of the contents of this Park, the Purchaser agrees to be bound by the decision of the Minister of Munitions in respect of the sale thereof provided that the Purchaser shall have the right to request the Minister to refuse any tender upon the understanding that the Purchaser accepts delivery of the vehicles contained in said Park in situ. In the event of Purchaser exercising this right the Ministry will render the same facilities for the guardianship and removal of the said property as have been offered to potential purchasers under the conditions of the said tender.

(b) Mechanical transport vehicles, spare parts, tyres, supplies, plant, machinery, salvage material and otherwise, situate in Italy and Salonica, on the Continent of Europe and Egypt, on the Continent of Africa, Mesopotamia, on the Continent of Asia and all other places outside of the Continent of Europe.

10. The Ministry will provide, so far as possible, barges and other vessels for transportation to Richborough of all vehicles acquired by the Purchaser under this Agreement, provided same are brought by him to loading berths on Continental seaboard as generally used by Richborough craft.

11. The Purchaser shall within twenty-one days of the date hereof furnish to the satisfaction of the Ministry, financial guarantees for the specific performance of this contract so far as relates to the purchase of mechanical transport, vehicles, spare parts, tyres, supplies, plant, machinery, salvage material, and otherwise and the payment of the moiety or instalments as hereinbefore mentioned.

12. The Ministry shall complete all buildings, fences, roads and otherwise comprising the Slough Motor Repair Depot, aforesaid, in accordance with builders' specifications and so that the entire property is enclosed for the purpose of prevention of trespass.

13. The transfer of property, *i.e.* Slough Motor Repair Depot, mechanical transport, vehicles, spare parts, tyres, supplies, plant, machinery, salvage material, and otherwise shall be considered to be made as and from April 7th, 1920, and the Ministry shall continue to operate the said Depot and dispose of the said mechanical transport, vehicles, spare parts, tyres, supplies, plant, machinery, salvage material, and otherwise in accordance with established procedure until April 30th, 1920, and shall render to the purchaser complete accounts for all expenditure and receipts in respect of the said operation. All contracts made by the Ministry for service or otherwise in respect of the said operations shall be considered to be terminated as from April 30th, 1920, and the Ministry shall hold the Purchaser indemnified in respect of all claims for services or otherwise made on and after the said date. As on May 1st, 1920, an account shall be rendered by the Ministry to the Purchaser of expenditure and receipts hereinbefore mentioned and the Purchaser shall pay, or receive as the case may be, in cash the amount payable or due as shown on said account.

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14. The Ministry will render to the Purchaser all assistance in its power to facilitate the carrying on of the said Slough Motor Repair Depot and the disposal of the said mechanical transport, vehicles, spare parts, tyres, supplies, plant, machinery, salvage material and otherwise in accordance with procedure as now practised by the Ministry and in particular will secure to the Purchaser possession of warehouses, sale rooms, etc., (*e.g.* Earl's Court Exhibition) as now used by the Ministry in connection with the disposal of its mechanical transport. These Heads of Agreements shall forthwith be embodied in a legal Agreement amplified or extended as may be mutually agreed. In the event of any dispute regarding the terms of the said Agreement the matter shall be referred to an Arbitrator for settlement.

Certified True Copy,

S. G. Allen,

9th April, 1920.

(Signed)—*Inverforth*,
9th April, 1920.

(Signed)—*Percival Perry*,
9th April, 1920

4, Dean Stanley Street,
Westminster, S. W. 1.

7th April.

Sir,

In accordance with my promise, I send you herewith memorandum embodying the Heads of Agreement as concluded at conference this day.

I understand that it is your intention to submit same for immediate approval, and I hereby agree to sign and be bound by same as and when approved.

The said document has been prepared without the advantage of legal advice, and is submitted to you in good faith as a commercial expression of our understanding, and relying upon the conservation of all essential principles therein expressed, notwithstanding that it may be necessary to modify details thereof.

In the absence of schedules and all forms of detailed particulars, it has been necessary to rely upon verbal presentations as to quantity, condition and value of the property.

Permit me to take this opportunity, personally, to thank you for the patience and consideration which you have extended to me.

The Rt. Hon. Lord Inverforth,
Minister of Munitions,
Armament Buildings, S. W.

Yours &c.

(Signed) *Percival Perry.*

APPENDIX II.

CONTRACT FOR SALE OF ST. OMER DUMP TO LEYLAND MOTORS, LTD.

HANDED in by Sir PHILIP DAWSON, during his examination, on Tuesday, May 18th, 1920.

MEMORANDUM OF AGREEMENT, made the 6th day of January, 1920, between the MINISTER of MUNITIONS (hereinafter called the vendor) of the one part and Leyland Motors, Limited, whose Registered Office is at 6 Austin Friars, E.C. (hereinafter called the Purchasers), of the other part whereby it is agreed as follows:—

1. The Vendor will sell and the Purchasers will buy for the sum of £500,000 (five hundred thousand pounds) the whole of the vehicles, equipment, plant, contents of stores, tools and tyres, which at present are situate in Aerodrome Saint Omer, France, or are otherwise in the possession of the Royal Air Force and lying in Royal Air Force Stores and/or Depots in the Town of Saint Omer, France, irrespective of whether the said material is expressly referred to in the inventory attached hereto or otherwise; the said material is sold for delivery landed United Kingdom Port and the above mentioned purchase price £500,000 (five hundred thousand pounds) shall be payable—

- (1) as to £200,000 (two hundred thousand pounds) in cash on the signing thereof,
- (2) as to £200,000 (two hundred thousand pounds) by a bill drawn by the Vendor and accepted by the purchasers payable on the 22nd day of March, 1920, bearing interest at the rate of 6 per cent. per annum.
- (3) as to £100,000 (one hundred thousand pounds) by a bill drawn by the Vendor and accepted by the purchasers payable on the 22nd day of June, 1920, bearing interest at the rate of 6 per cent. per annum.

2. In consideration of the above sale the purchasers agree to remove by the 30th day of September, 1920, at their own risk, costs and charges all the material dealt with hereby and to land the same at United Kingdom Port for delivery in compliance with the provisions hereof. It is understood that in order to assist the Purchasers in evacuating the said material on behalf of the Vendor the Vendor will, so far as possible, leave at Saint Omer all existing telephone wires, instruments and connections for the use of the Purchasers and that the Vendor will use his best offices to facilitate in every way the evacuation removal or transport of the said material by the Purchasers and the Vendor will arrange for the supply on payment to the Purchasers of all Petrol Oil and Grease required by the Purchasers for the purpose of removing and transporting the said material.

3. The Purchasers agree that the material dealt with hereunder shall not be sold by them at public auction in the United Kingdom.

4. The Purchasers agree to hold the Vendor indemnified against any claim made upon the Vendor in respect of damage to Highways in the United Kingdom due, or alleged to be due, to the movement of any of the material dealt with hereunder.

AS WITNESS the hand and seal of the Parties the day and year first above written.

Director.

Arthur Spurrier, Director.

T. Phillips, Comm. Secretary.



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